

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Modernization of Payphone Compensation Rules)	WC Docket No. 17-141
)	
Implementation of the Pay Telephone)	CC Docket No. 96-128
Reclassification and Compensation)	
Provisions of the Telecommunications)	
Act of 1996)	
)	
2016 Biennial Review of)	
Telecommunications Regulations)	WC Docket No. 16-132

COMMENTS OF SPRINT CORPORATION

Sprint Corporation on behalf of its subsidiaries (collectively, “Sprint”), supports the Commission’s proposed reforms of the payphone compensation audit requirements in Rule Section 64.1320. The annual audit requirement is an expensive and obsolete regulatory relic of an earlier time.

I. INTRODUCTION AND ARGUMENT

Commission Rule Section 64.1320 requires covered completing carriers, such as Sprint, to “undergo an audit of [their] § 64.1310(a)(1) tracking system by an independent third party auditor ... to determine whether the call tracking system accurately tracks payphone calls to completion.” Commission Rule 64.1320(f) requires an annual certification that there have been no material changes to the completing carrier’s compliance with the criteria underlying the previous year’s audit report. This, in essence, requires a complete audit each year to confirm that the current

practices are in compliance even though the rule purports to only require an initial audit then an annual certification of no material changes.

Sprint supports a rule change to remove the annual audit requirement because the dramatic decline in payphone calls over the past decade has resulted in a requirement that, in Sprint's experience, is unduly burdensome with minimal, if any, corresponding benefits. The decline in payphone calling and associated compensation has continued since Sprint filed its waiver petition earlier this year. Sprint's records show that the costs of the audit alone would have been approximately 20 percent of the per call compensation Sprint paid over the preceding year. That is 20 percent of the compensation paid, not Sprint's profit for the underlying calls. In the most recent one-year period for which data are available (2Q16 through 1Q17), Sprint paid \$226,920.88 in compensation. This is a massive 99.3 percent decline from the payphone compensation peak for Sprint in 2005, when Sprint paid \$31,478,777. The compensation has dropped by 91 percent just from 2013 through 2017. The audit costs have not fallen proportionately to the precipitous decline in the amounts being paid; instead, they have risen. Absent the Commission's waiver, in 2017 Sprint would have paid \$46,500 to its outside auditor to conduct the audit.

Telecommunications carriers bill each other billions of dollars every year for a panoply of services. However, the payphone compensation system is the only one that requires an annual audit of the systems and procedures used to determine the compensation and process the payments. There is no current basis for such an elevated burden even if one existed when the rules were instituted.

II. There is a Significant Need for a Rule Change

Sprint recognizes that there was once a need to closely track the compliance of pay-phone compensation systems. But as the call volumes have dropped by 99.3 percent as consumers increasingly make calls with their own mobile devices rather than payphones, the burdensome audit requirement has remained. In fact, Sprint's auditor has informed Sprint that it has encountered difficulty in the last several years in locating pay phones with which to make test calls pursuant to the audit requirements.

Sprint's audits have consistently shown that it is in compliance with the Commission's rules. Sprint has not made any material changes to its payphone call tracking system for many years. Sprint believes that a voluntary self-certification that its system had not materially changed is sufficient to protect the financial interests of the payphone service providers while simultaneously minimizing the expense and burden on Sprint, and ultimately, Sprint's customers. There is no need for a quarterly certification by a company's chief financial officer given the low amount of money at issue. An annual statement by the personnel responsible for payphone compensation is sufficient.

Most completing carriers, including Sprint, have contracted with vendors to calculate their payphone compensation. As the Commission noted in the NPRM, this system is working well without complaints and there is no reason to expect that to change. If there are compensation disputes, the Enforcement Bureau is situated to handle those as it does other complaints between entities in the telecommunications industry.

Alternative compensation arrangements as contemplated by section 64.1320(a) are not a reasonable alternative to the audit given the low call volumes. Sprint made payments in 2015 to 85

payphone service providers and aggregators. Of those 85 PSPs, Sprint paid compensation of less than \$1,000 to 76 of them. In fact, payments to 62 were for less than \$10. The costs of negotiating and executing contracts with so many carriers over the small amount of total compensation in order to eliminate the audit costs is also not cost-effective. Sprint's understanding of the rule is that Sprint would have to have an alternative compensation arrangement with each PSP in order to avoid the audit requirements.

III. CONCLUSION

Sprint respectfully requests that the Commission recognize the disproportionate costs of the annual payphone compensation audit and revoke Rule 47 C.F.R. § 64.1320(f).

August 9, 2017

Respectfully Submitted,

/s Keith Buell

Sprint
900 7th Street, NW
Suite 900
Washington, DC 20001
(703) 592-2560
Counsel for Sprint